

PUBLIC DISCLOSURE

APRIL 10, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

KEY CREDIT UNION

184 SHIRLEY AVENUE
REVERE, MA 02151

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Key Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of April 10, 2001.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory "

The following factors support the credit union's overall rating.

Key Credit Union's net loan-to-share and deposit ratio averaged 69.4 percent over the two year period reviewed. This ratio indicates the willingness of the credit union to meet the credit needs of its membership. Additionally, a comparative analysis of this institution's ratio to other similar credit unions revealed that Key Credit Union had a higher ratio than the majority of its peers.

The credit union extended a reasonable percentage of loans within its assessment area. A total of 67.4 percent of a sample of consumer loans and 75.0 percent of residential loans were granted within the assessment area during the period under review. Performance was found to be satisfactory in this criterion.

The distribution of credit to borrowers of different income levels exceeds satisfactory levels of performance. Low and moderate-income borrowers received 75.9 percent of a sample of consumer loans and 60.0 percent of residential loans granted inside the assessment area.

The distribution of among geographies of different income levels was also found to exceed satisfactory performance standards. Of the sample of consumer loans reviewed, 75.9 percent were originated in low and moderate-income census tracts. An analysis of residential mortgage loans, while small in number, revealed that 66.7 percent of the originations were in moderate-income census tracts. The credit union was found to exceed the standards for satisfactory performance for this criterion.

The credit union has not received any CRA related complaints since the prior examination. Key Credit Union's fair lending performance was found to be satisfactory at this time.

PERFORMANCE CONTEXT

Description of Institution

Key Credit Union is a small community credit union incorporated under the laws of the Commonwealth of Massachusetts in 1952 and located in Revere. On June 30, 1999 the credit union merged with H. P. Hood Credit Union. Membership in Key Credit Union is limited to those residing, employed in or having a usual place of business in Revere, as well as in Suffolk, Essex and Middlesex Counties, Massachusetts. Members of the Knights of Pythias, Crescent Lodge #88 and their immediate families are also eligible for membership.

The credit union's main office is located at 184 Shirley Avenue, Revere, which is located in a moderate-income census tract. Office hours are convenient with extended hours on Thursday, Friday and Saturday. The credit union maintains a branch office and a 24-Hour ATM at 500 Rutherford Avenue, Charlestown, site of the former H.P. Hood Credit Union. Office hours at the branch are 8:30 am to 3:00 pm Monday through Friday. Additionally, the credit union maintains a free standing 24-Hour ATM located on Humphrey Street in Swampscott. The ATMs are linked to the NYCE, Cirrus, PLUS, American Express, Visa, Novis, Discover, and MasterCard networks.

The credit union also offers 24-hour telephone banking and KeyNet Internet banking that enables members to make account inquiries, transfer payments to loan accounts, and transfer funds between share and deposit accounts.

No offices have been opened or closed since the last CRA examination with the exception of the office acquired through the merger. The credit union maintains a staff of 13 employees while its membership consists of approximately 6,000 members.

Key Credit Union is predominantly a consumer lender, based on the number of consumer loans within the loan portfolio, however, residential loans represent the largest dollar amount within the portfolio. Types of credit offered consist of first real estate mortgages, home equity lines of credit, new and used automobile loans, and personal unsecured loans.

As of December 31, 2000, the credit union had total assets of \$25.7 million. The credit union has a net loan to asset ratio of 60.8 percent. First mortgages represent 66.7 percent of the loan portfolio while other real estate loans/lines of credit represent 12.7 percent. In addition, 12.2 percent of the loan portfolio is in the form of new and used automobile loans, 6.8 percent are personal unsecured loans, and 1.6 percent are other loans.

Refer to the following table for details.

Loan Portfolio as of December 31, 2000

Type of Loans	\$(000)	% Total
Loans Secured by Real Estate		
a. First Mortgage Real Estate Loans	10,562	66.7
b. Other Real Estate Loans/Lines of Credit	2,012	12.7
Consumer Loans		
a. All Other Unsecured Loans	1,082	6.8
b. New Vehicle Loans	1,225	7.7
c. Used Vehicle Loans	719	4.5
All Other Loans/Lines of credit	244	1.6
Total Loans	15,844	100.0

Source: Statement of Financial Condition as of 12/31/2000

Key Credit Union has direct competition within the assessment area from several credit unions including Carmel Credit Union, Luso American Credit Union, Industrial Credit Union, and Everett Credit Union, as well as a number of regional and national banks and mortgage companies. In addition, aggregate peer data included 555 lenders active within the credit union's assessment area.

Key Credit Union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks on June 24, 1998. That examination resulted in a CRA rating of "High Satisfactory".

Description of Assessment Area

The credit union's assessment area is comprised of the following cities and towns: Revere, Winthrop, Chelsea, Boston, Everett, Somerville, Medford, Malden, Melrose, Saugus, Lynn, and Nahant. All of these municipalities are located in the Boston Metropolitan Statistical Area (MSA).

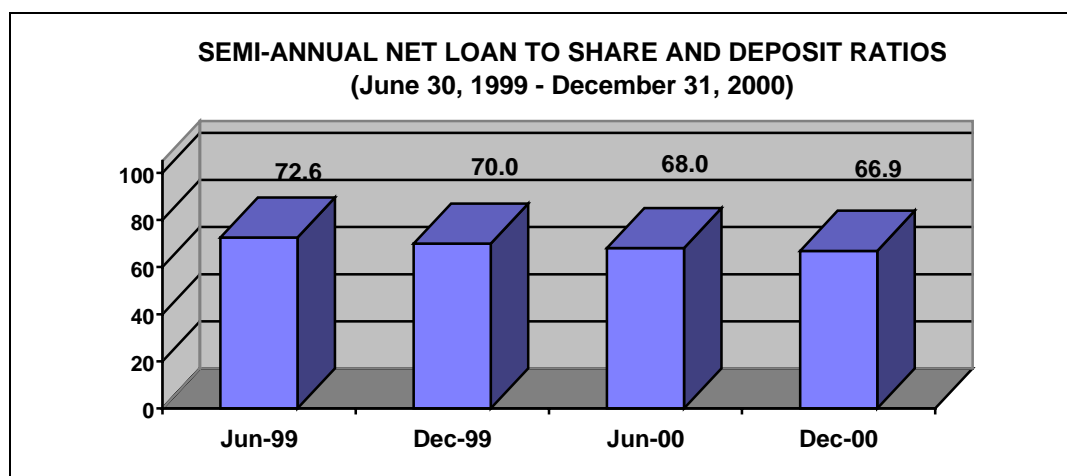
Assessment Area Demographics

According to the 1990 US Census Data, the credit union's assessment area population consists of 1,025,880 individuals, of which 28.6 percent are minorities. There are 157 low and moderate-income census tracts which represent 59.7 percent of the total 263 census tracts within the assessment area. Of the total housing units, 153,192, or 34.9 percent are owner occupied; 252,801 or 57.5 percent are rental occupied units; and 33,534 or 7.6 percent are vacant housing units. The average median housing value for the assessment area is \$178,435.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

A comparative analysis was conducted of Key Credit Union's semi-annual net loan-to-share and deposit ratios for the period June 30, 1999 through December 31, 2000. This analysis was conducted using the credit union's semi-annual 5300 Reports. The average net loan-to-share and deposit ratio for this period was determined to be 69.4 percent. The ratio has decreased significantly since the previous examination (89.4%). This ratio is based on loans net of the allowance for loan losses as a percentage of total shares and deposits. Refer to the following graph.



Net loans have increased by approximately 5.4 percent from June 30, 1999 to December 31, 2000. Deposit growth has increased during the same period by approximately 14.4 percent. Management attributed the gap in growth to the lack of aggressive marketing of its mortgage products. In addition, the fact that the credit union is making fewer high dollar loans (mortgages) also contributes to the significant decrease in the net loan to share and deposit ratio since the previous examination. However, at the same time, the credit union has significantly increased its consumer lending.

A comparison was also conducted of the net loan-to-share and deposit ratio of four other similar credit unions. The ratios shown in the table below are calculated from the NCUA's Call Report data for December 31, 2000. Key Credit Union's net loan-to-share and deposit ratio was 66.9 percent. The other institutions' net loan-to-share and deposit ratios ranged from a high of 70.6 percent to a low of 57.5 percent.

INSTITUTION	NET LOAN TO SHARE RATIO
Luso American Credit Union	70.6%
Key Credit Union	66.9%
Everett Credit Union	62.6%
Industrial Credit Union	59.1%
Carmel Credit Union	57.5%

Based on the credit union's resources, and the resources of other similarly-situated credit unions in the assessment area, the types of loans and the lending opportunities available, the credit union's net loan-to-share and deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Key Credit Union's residential and consumer loans originated during 1999 and 2000 was conducted during this examination.

Key Credit Union's 1999 and 2000 Loan Application Registers (LARs) were reviewed to determine the location of its residential mortgage loans. The credit union originated 20 residential mortgage loans totaling \$2,354,000 during this period. Of these loans, 15 or 75.0 percent of the number totaling \$1,603,000 or 68.1 percent of the dollar amount were originated within the credit union's assessment area.

Refer to the following tables for additional information.

<i>Distribution of Residential Mortgage Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar Amount of Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollar Amount of Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>1999</i>	10	66.7	1,056	58.4	5	33.3	751	41.6
<i>2000</i>	5	100.0	547	100.0	0	0.0	0	0.0
<i>Total</i>	15	75.0	1,603	68.1	5	25.0	751	31.9

Source: 1999 and 2000 Internally generated LARs

The credit union has an agreement with CUMEX Mortgage Service Center of New England whereby members of the credit union who wish to apply for fixed-rate mortgages are referred to CUMEX. After the loan is underwritten by CUMEX, the credit union has the

option of acquiring the loan for origination. This agreement which began on January 1, 2000 resulted in 44 referrals, as of the date of this examination. Of these referrals, 9 loans were closed and 3 loans were acquired by Key Credit Union.

Consumer loans constitute the majority of loan originations with 96.3 percent of the total 539 loans originated by the institution. A sample of 86 consumer loans totaling \$690,000 revealed that 58 loans or 67.4 percent of the number and \$445,431 or 64.5 percent of the dollar amount were granted within the credit union's assessment area. Refer to the following table.

<i>Distribution of Consumer Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar Amount of Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollar Amount of Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>1999</i>	29	67.4	240	68.2	14	32.6	112	31.8
<i>2000</i>	29	67.4	205	60.7	14	32.6	133	39.3
<i>Total</i>	58	67.4	445	64.5	28	32.6	245	35.5

Source: Credit Union consumer loan files

As illustrated in the above tables, the majority of the number and dollar amount of the credit union's consumer and residential loan originations were extended within the assessment area. The largest concentration of loan originations was in the City of Revere. Revere accounts for 62.1 percent of the credit union's consumer loan originations and 46.7 percent of the residential mortgage originations.

Based on the above information, Key Credit Union meets the standards for satisfactory performance for this criterion.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of consumer and residential mortgage loans extended within the credit union's assessment area among borrowers of various income levels was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 1999 and 2000 estimated median family incomes of the Boston Metropolitan Statistical Area (MSA). The median incomes for the Boston MSA for 1999 and 2000 were \$62,700 and \$65,500 respectively. Income figures were based on estimated data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between

50 to 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

During the period examined, Key Credit Union made approximately 9 residential mortgages (60.0 percent) to low and moderate-income borrowers. The credit union originated 50.0 percent of its residential mortgage loans to low and moderate-income borrowers in 1999. Although Key Credit Union is not a HMDA reporting lender, aggregate data analysis was used for comparison purposes and was provided through PCI Inc., CRA WIZ software. Aggregate data for all lenders within the assessment area shows that 27.2 percent of all HMDA reportable originations were to low and moderate-income borrowers.

The following tables provide a detailed breakdown of the sample of residential loans in the assessment area among applicants of different income levels.

Distribution of Residential Mortgage Loans by Borrower Income								
Median Family Income Level	%Total Household	Aggregate Lending Data (% of #)	1999		2000		Total	
			1999	#	%	#	%	#
Low	11.0	7.2	2	20.0	2	40.0	4	26.7
Moderate	43.6	20.0	3	30.0	2	40.0	5	33.3
Middle	37.6	24.4	3	30.0	1	20.0	4	26.7
Upper	7.8	28.5	2	20.0	0	00.0	2	13.3
N/A	-	-	-	-	-	-	-	-
Total	100.0	100.0	10	100.0	5	100.0	15	100.0

Source: U.S. Census, LAR, 1999 Aggregate Data

An analysis was also conducted of the distribution of consumer loans among borrowers of different income levels. According to this analysis, low and moderate-income borrowers accounted for 75.9 percent of consumer loan originations during the two-year period reviewed. Refer to the following table.

<i>Distribution of Consumer Loans by Borrower Income</i>						
<i>Median Family Income Level</i>	<i>1999</i>		<i>2000</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	11	38.0	15	51.7	26	44.9
<i>Moderate</i>	8	27.6	10	34.5	18	31.0
<i>Middle</i>	7	24.1	3	10.3	10	17.2
<i>Upper</i>	3	10.3	1	3.5	4	6.9
<i>Total</i>	29	100	29	100.0	58	100.0

Source – In house loan data, 1999 and 2000

It should be noted that the majority of consumer loans were granted to single applicants. However, for consistency's sake, these single incomes are compared to median family income data, which has the result of increasing the number of low and moderate-income approvals.

Based upon the above analysis and considering local area demographics, Key Credit Union's loan distribution to borrowers of different income levels is extremely good and exceeds the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis was conducted of the credit union's distribution of loans by census tract income level. This analysis indicated that 66.7 percent of the credit union's mortgage loans inside the assessment area were originated in moderate-income census tracts. Refer to the following table.

Distribution of Residential Mortgage Loans by Census Tract Income Level								
Census Tract Income Level	%Total Owner- Occupied Housing Units	Aggregate Lending Data (% of #)	1999		2000		Total	
		1999	#	%	#	%	#	%
Low	3.5	5.8	0	0.0	0	0.0	0	0.0
Moderate	37.1	40.9	6	60.0	4	80.0	10	66.7
Middle	50.2	42.7	4	40.0	1	20.0	5	33.3
Upper	9.2	10.6	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	10	100.0	5	100.0	15	100.0

Source: U.S. Census, Internal LAR, 1999 Aggregate Data

In 1999, Key Credit Union originated 60.0 percent of its residential mortgage loans in moderate-income census tracts. Although Key Credit Union is not a HMDA reporter, aggregate data provided through PCI Inc., CRA WIZ software was used for comparison purposes. This data indicates that all other lenders within the credit union's assessment area originated 40.9 percent of their loans in moderate-income census tracts in 1999.

To determine the geographic distribution of consumer loans, an analysis was performed using the FFIEC web site to determine the census tract for each consumer loan using the home address of the borrower. This analysis revealed that 75.9 percent of the originations were in low and moderate-income census tracts. Refer to the following table.

<i>Distribution of Consumer Loans by Income Category of the Census Tract</i>						
<i>Census Tract Income Level</i>	<i>1999</i>		<i>2000</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	1	3.4	0	0.0	1	1.8
<i>Moderate</i>	20	69.0	23	79.3	43	74.1
<i>Middle</i>	8	27.6	6	20.7	14	24.1
<i>Upper</i>	0	0.0	0	0.0	0	0.0
<i>Total</i>	29	100.0	29	100.0	58	100.0

Source: FFIEC web site and Credit Union loan files

Based upon the above analysis and considering the local area demographics, Key Credit Union's geographic distribution of loans exceeds the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

REVIEW OF COMPLAINTS

A review of Key Credit Union's public comment file revealed that the credit union received no complaints pertaining to the institution's CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Key Credit Union meets the standard of satisfactory performance relating to Fair Lending.

The credit union's Fair Lending policies and procedures are comprehensive in nature and address specific areas such as loan review, staff training, fair lending procedures, loan application and evaluation process, as well as applicable rules and regulations regarding the Fair Housing Act, the Equal Credit Opportunity Act and the Consumer Credit Protection Act.

The credit union's staff attends seminars that feature CRA and compliance training. In-house training is also offered which consists of viewing instructional videos on CRA and Compliance. The credit union employs 13 individuals, 2 of who are minorities. The credit union employs individuals who are fluent in Italian, Khmer/Vietnamese, Spanish and Greek. The credit union also utilizes outside interpreters to assist non-English speaking members when necessary. The staff has developed relationships with several area organizations that assist in monitoring community needs as well as informing the community of the credit services offered by the institution.

The performance levels achieved by Key Credit Union in lending to borrowers of different income levels and lending in low and moderate-income census tracts indicates that the credit products offered, the marketing efforts and seminars are conducive to the needs of the assessment area. To insure consistency in underwriting practices, the credit union has implemented a second review practice that requires all credit applications to be reviewed by the loan processor, loan officer, Chief Executive Officer (CEO) and credit committee. In addition, outside independent auditors review the lending process and in 2001 will conduct specific Fair Lending Reviews.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the credit union received from minorities. From January 1, 1999 through December 31, 2000, the credit union received 20 residential loan applications from within its assessment area. Of these, 15 or 75.0% were approved. During this period, 1 application or 5.0% was received from a minority applicant.

Aggregate data for 1999 shows that 18.7 percent of all applications inside the assessment area were from minorities. The credit union had no minority applications for this same time period.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

KEY CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **April 10, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.